

Glacier International Business Update - 2022

30 May 2022 | Andrew Brotchie, Managing Director of Glacier International

The case for offshore investing has been increasing over many years, as local investors look for diversification, an increased opportunity set, as well as hedging against political and economic risk. This is by no means unique to South Africa and applies equally to many countries around the world.

Exchange control relaxation

The reasons for offshore investing have traditionally been facilitated by increases in the discretionary allowances. Currently SA investors can take out R11m per year per person. We believe that regulatory relaxation in the institutional space locally will drive the next wave of offshore inclusion for SA investors. A big change announced in February this year, in the institutional space, is that pension fund investors can now have up to 45% invested offshore with no minimum or maximum allocation to Africa.

Another point to note is that there is no longer a 5 – 10% difference (which there was previously) between what local collective investment schemes (CIS) could invest offshore versus what was allowed for retirement funds. This has now been harmonised and is significant for the reasons discussed below.

Significant impact on the wealth advice landscape

1. A management company (or CIS) will, at certain times, use the full 45% offshore allowance in its retirement funds, which would then leave it no capacity to offer feeder funds. This will lead to a gradual decline in the availability of feeder funds in the SA market. This is also expected to lead to an additional R400 to R600 billion offshore investment flows from South Africa.
2. Traditionally local and offshore investment portfolios have been quite separate. Going forward we expect clients to start looking at their investment portfolio holistically. Previously an offshore allocation in pension funds of 30% was typically allocated to global equities.

Now that the offshore allocation is at 45% - almost half of the portfolio - the guidance will be more nuanced. For example, one could allocate 30% to global equities and the rest to gold, debt, emerging markets, etc. for diversification. The emphasis going forward will be on looking at the local and international portfolios as one whole, to see how they'll complement each other. This will, in turn, see the investment process and portfolio construction process change in future.

Glacier International's solution set

Investment platforms will also need to adapt to these changes. Glacier International's solution set has been steadily evolving and currently offers a diverse range of options. Investors can select from the offshore wrappers – an endowment (Global Life Plan) and a sinking fund (Global Investment Plan), and we also recently launched The Glacier Offshore Investment Plan. Earlier this year we added a recurring investment option to this solution. With the Offshore Investment Plan, clients still externalise their money and there is no requirement to bring it back. Glacier International gives clients access to offshore funds, but via the same nominee company used by the local investments. The importance of this is that the custody and nominee management between the offshore and local investment is the same – which allows the local and offshore portfolios to be managed together.

Becoming Future Fit

The structures we've built give us the operational capability to offer and access offshore investments via our local products – offering clients a seamless investment portfolio.

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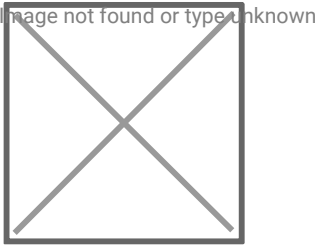
The Glacier Offshore Investment Plan is a flexible, discretionary savings vehicle which offers investors the opportunity to invest offshore, accessing different markets and currencies. It is administered by Glacier Financial Solutions (Pty) Ltd, a licensed administrative financial services provider, FSP 770.

The Global Life Plan is an offshore endowment policy and the Global Investment Plan is an offshore sinking fund. Both policies are issued by the Sanlam Life Insurance Bermuda branch.

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Andrew Brotchie



Andrew Brotchie was appointed as managing director of Glacier International on 1 January 2015, prior to which he was head of product and investments with Glacier International from March 2011. Before joining Glacier International, Andrew spent more than 10 years working in the international investment arena (in South Africa, the United Kingdom, Hong Kong, Singapore and Taiwan), in the areas of business development, product and investments, and managing an investment advisory firm. He has a BA (Honours) in History and Politics and an MBA in International Management, both from the University of Exeter in the UK.

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